



## Four types of strategy work: Choosing the right implementation approach

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# **Four types of strategy work: Choosing the right implementation approach**

**F**ormulating and operationalizing a clear, inspiring and successful strategy is a difficult task. A Brightline-sponsored Economist Intelligence Unit Study found that 61 percent of organizations struggle with bridging the gap between strategy formulation and implementation. Moreover, 53 percent of respondents highlighted the importance of a successful implementation and argued that ineffective strategic initiatives have a big impact on the organization's performance and competitive position.

Our own research, presented below, is based on the assumption that strategy implementation is not a simple set of actions, but needs to be carefully tailored to an organization's specific situation and capabilities. There is not a simple "one size fits all" answer to strategy work, particularly operationalizing strategy.

We conducted interviews with 31 senior executives as well as senior strategy staff professionals with direct involvement in strategy work. We talked to them about their major strategy implementation processes, critical risks and uncertainties in strategy implementation, and examples of important decisions they made (and the methods and tools they used to make them), as well as their driving principles for strategy work.

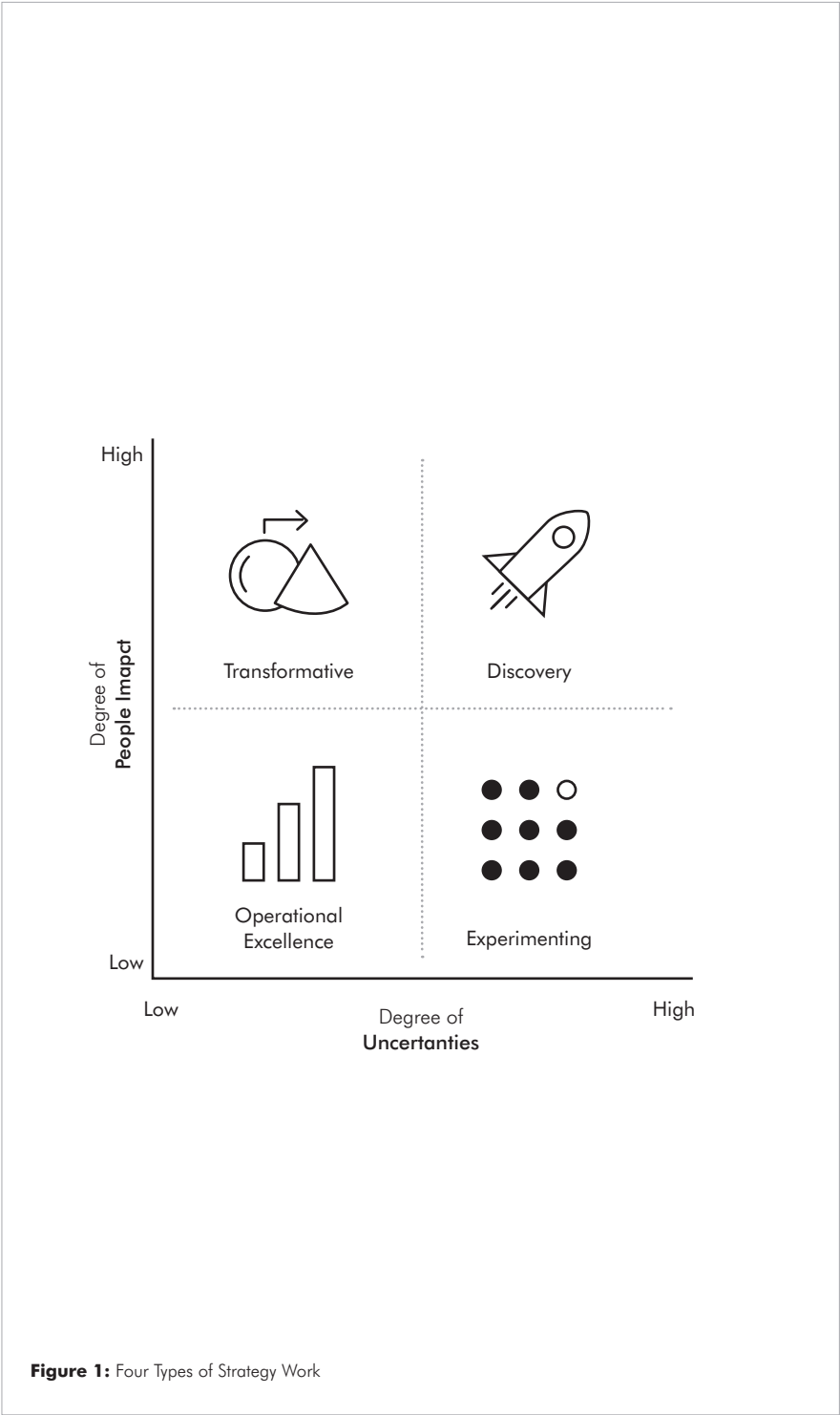
## **Uncertainty and people shape strategy work**

Not surprisingly, we found that strategy work comes in all shapes and sizes and we identified a multitude of practices. But, four major fields of strategy work emerged: Discovery, Experimentation, Transformation and Operational Excellence.

Two dimensions proved useful to group the types of strategy work, summarizing major aspects raised by practically all interview partners: the degree of people impact, and the degree and type of uncertainty addressed (see Figure 1 opposite).

### **Dimension 1: Degree of people impact of strategy task**

The primary concern of the executives, typically, was how to handle the people-related challenges of implementing strategy. This had several elements:



the number of people affected (for example, does this concern a small circle of experts or a wider group of employees?); scope of the impact (for example, can we reasonably expect this to be executed on top of “business as usual”, or does this require full dedication?); and the “dread factor” or degree of emotional impact (for example, are people losing their jobs, or is the impact understood and controllable?).

The organizations we interviewed were experimenting with different ways of engaging people in the strategy implementation process, other than, say, the usual power point presentations and newsletters. Examples included developing strategy games, role-playing, or off-site strategy boot camps using design thinking as a process driver.

One CFO illustrated this dimension nicely: While his role in the strategy process obviously involves significant quantitative analyses and review of financial performance figures with his team, he emphasized that when it comes to making strategy happen, about 80 percent of the work is “soft” people work. In his experience, no one paid attention to the next grand strategy initiative, or engaged actively in its implementation, if they were worried about their exact role, or maybe even job, as well as the roles and jobs of others they cared about in the organization. So, understanding the emotional, people-related impact of strategy work, and actively managing how your core team and the remainder of the organization engages and resolves those people-related challenges, was key to successful strategy implementation.

## **Dimension 2: Degree of uncertainty addressed by the strategy task**

Senior executives were dealing with three major types of uncertainty: technology uncertainty (for example, technology readiness levels, or degree of performance that can be expected from a certain solution); market uncertainty (for example, reaction of the market to the introduction of a new service, or choosing between various novel value propositions); and capability-related uncertainty (for example, deciding what skill set was needed to operationalize a new technology).

In our interviews, we found that senior executives were usually focused on one or two of the three categories of uncertainty, which they regarded as critical. The tension between those uncertainties, particularly between technology-related uncertainty and the other two, was often described in terms of the “level of innovation versus the chances and level of success”. Furthermore, in discussing those uncertainties, the executives reflected on the trade-off between putting

highly formalized processes (i.e. bureaucracy) in place to create a structured process in the face of uncertainty, versus enabling creative and independent problem solving and innovation. Those aspects, among others, are described below when we discuss the four types of strategy work.

### **Type 1: Discovery-focused strategy work**

Discovery-focused strategy work was described as often having a “scary component.” With discovery-focused strategy work, executives think there is something out there that will significantly change their business model, their product portfolio, or the way they and their organizations do their jobs. This is amplified by the high degree of uncertainty inherent in this work. For example, even if you think you can hire the people to make blockchain work for you, is there really a market? Is it worth doing, and if yes, how much are you willing to invest and how much are you prepared to lose? The discovery and evaluation of technology and market trends is strategy work. The examples most often quoted to us revolved around digitalization of core business propositions, and the possible emergence of novel, digital value propositions disrupting existing value chains (for example, by blockchain, virtual/augmented reality, or artificial intelligence expert systems).

Only a minority of interview partners explicitly mentioned discovery-related strategy work. However, some companies in our study, for example a global leader actively developing and marketing novel technology solutions, have realized that it is also part of their job to support the discovery process at their clients in order to create a market for the novel IoT (Internet of Things) and AI (artificial intelligence) products they offer. This is different from selling a finished product – it is more akin to sharing a vision, backed up with plenty of examples.

In Denmark, executives in the manufacturing sector have formed a national association (MADE – the Manufacturing Academy of Denmark) to jointly drive the discovery process around advanced cyber-physical production systems. This not only reduces the cost to each company, but systemically builds capabilities in an industry where each player depends on their up – and downstream supply chain. This results in very hands on strategy work – from workshops for subject matter experts to executive-level roundtables and show-and-tell events.

A particular challenge mentioned, regarding discovery-driven strategy work, is time. Technology cycles, for example, can be so fast that they outrun more conservative long-range strategic planning. Executives observed that designing a proprietary process at their companies, one that reconciles the organization’s

need for stable direction with an agile capability to leverage fast-paced technology trends, was key to their success. Examples include strategy initiatives (not the entire strategy process) that did not follow the established two-year strategy plan from concept to market, but instead embraced a design thinking-based approach where the organization experimented with minimum viable products in pilot markets quickly, in order to learn fast (see next section as well). Others emphasized cooperation with (or acquisition of) research and start-up companies, establishing in-house processes focused on discovering and leveraging emergent trends. However, it also included closer customer integration, as one of the key uncertainties during the discovery phase is how to establish a realistic business case for a novel idea.

## **Type 2: Experimentation-focused strategy work**

Executing discovery-related strategy work leads to an interesting problem: What do organizations do with ideas that are currently impossible to evaluate as a classic business case? There is still significant uncertainty regarding market demand and the willingness of customers to pay, their costs and capabilities base, or whether the technology can be developed to the required needs (plus what those exact needs and requirements actually are).

The selection process leading from “discovered” options to “options organizations experiment with” often involved the use of decision making heuristics, such as Simple Rules: For example, executives selected ideas based on rules such as: 1) If we lose all the money we invest, it must not be a problem. 2) We need to be able to at least verbalize a possible benefit scenario for current or future customers. 3) We have to be able to clearly articulate what it is that we want to learn about market, technology and/or our capabilities. 4) We must have internal champions that are excited about doing this.

The experimentation that was reported took many forms: One company co-created product use scenarios with possible clients in a number of workshops; groups of companies teamed up to sponsor research and proof-of-concept implementations; new processes and technologies were tried internally for 100 days in parts of the company; and companies formed internal start-ups to operationalize novel technology solutions and champion them on client projects.

Some senior executives highlighted an interesting tension here: In a traditional perception of leadership one would look to the executives for clear direction on what the future will hold. Here, instead, executives help their organization to ask the right questions.

One sentiment we frequently observed can be summarized as “learning by doing”: Senior executives acknowledged that there are areas of technology development (say, blockchain or artificial intelligence), where there is a lot of general discussion, but little specific action or activity in their industry. For organizations big enough, just doing “something” (with a predefined budget) became a viable option – even if their solution did not meet all of their expectations, or even if it failed, they would have put themselves into an advantageous knowledge position relative to their competitors. The notion here is to allow the organization to learn and adapt in an uncertain environment, instead of relying on predicting the future accurately.

For the remaining two types of strategy work, we will keep our observations brief, (we consider them already broadly acknowledged and covered in the strategy and organizational science literature).

### **Type 3: Transformation-focused strategy work**

After targeted experimenting and prototyping sufficiently de-risked a business case, we found that executives discussed typical organizational transformation, change management and portfolio management activities as part of their strategy work. While the uncertainty is now relatively low, the scope of people affected increases again, presenting significant people-based challenges.

The success stories we documented made effective use of programme and portfolio management techniques that paid particular attention to accounting for the hard and soft factors of transformation on the affected employees. We also saw examples where companies started collaboration networks around a newly developed platform concept. There are examples of organization-parallelizing experimentation and transformation activities under an agile framework. As part of a transformation programme, various implementation prototypes are run in parallel to develop specific best practices and/or technology solutions. An example of such an integrated transformation/experimentation approach was an organization that created a four-day workshop programme for people affected by certain strategy initiatives. These involved open-ended engagement to refine the strategic intent, identify barriers, as well as developing specific implementation and transformation activities.

### **Type 4: Operational excellence-focused strategy work**

The final category of strategy work we observed addressed practices by executives to diffuse new technologies and efficiency practices into the

organization in a less disruptive way. This was oriented towards enhancing day-to-day practice one step at a time. This requires that the organization had developed a thorough understanding of the capabilities and requirements of a technology field. Activities in this space that we observed targeted joint sense-making exercises with operational management and subject matter experts to develop prioritization frameworks: What technology for what product or market? What is our implementation roadmap? What are our criteria to prioritize activities, as well as exclude ideas? These were implemented as standard operating procedures, building step-by-step on capabilities that already existed.

### **Executing strategy work in your organization**

An important aspect to highlight is that an organization does not “move” through each of these four types of strategy work in sequence. Instead, they are four categories that structure the portfolio of strategy work underway in the companies we observed. Our impression was that the most successful companies had learned to execute activities in all four quadrants in parallel, and had robust processes for managing the transition of an activity from one quadrant to the next. A key question in our conversations with senior executives became the navigation flow in the quadrants (i.e. from what to what quadrant can we or should we transition a strategy activity?) and the speed and timing of those transitions. These are questions that every organization, and every executive, has to answer in a way that fits their particular environment.

### **About the authors**

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### **Resources**

Economist Intelligence Unit, “Why good strategies fail: Lessons for the C-suite,” EIU, 2013

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